

Message Text

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PAGE 01 LAGOS 12581 241342Z

41

ACTION OPIC-06

INFO OCT-01 AF-06 EUR-12 EA-07 NEA-10 ISO-00 EB-07 IGA-02

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R 191502Z DEC 75

FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 2490

INFO USDOC WASHDC

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

USOECD PARIS

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FOR OPIC/USDOC FOR MEPD

E.O. 11652: N/A

TAGS: EINV, EFIN, ETRD, ELEC, NI

SUBJECT: NEPA SUBSTATION PROJECTS NO. MC 3632

REF: A. STATE 294549 B. PARIS 31244 C. LAGOS 11350

SUMMARY: NEPA FINANCE MANAGER ASSURES US FUNDING AND FOREIGN EXCHANGE AVAILABLE FROM FMG FOR THIS PROJECT. ALSO EXPLAINS THAT NEPA DROPPING LETTERS OF CREDIT FOR SUCH PROJECTS DUE THEIR EX-

PENSE AND BECAUSE THEY CONSIDERED UNNECESSARY UNDER CURRENT MARKET CONDITIONS.

1. THIS CONCERNS WESTINGHOUSE'S HESITATION OVER BIDDING ON \$30 MILLION NIGERIAN ELECTRIC POWER AUTHORITY (NEPA) TRANSMISSION LINE SUBSTATION PROJECT IN ABSENCE LETTER OF CREDIT. OPIC NOW LIMITED OFFICIAL USE

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CONSIDERING CONSTRUCTION INSURANCE AND DESIRES FUNDING DETAILS.

EMBOFF REVIEWED PROBLEM WITH NEPA ASSISTANT GENERAL MANAGER FOR FINANCE WADDELL (C CANADIAN), WHO MADE FOLLOWING POINTS.

2. WESTINGHOUSE HAS VISITED NEPA TWICE SINCE REF C AND, IN ESSENCE, BEEN TOLD THERE ARE 24 OTHER COMPANIES INTERESTED IN THIS CONTRACT AND NOT RPT NOT WORRIED ABOUT PAYMENT TERMS. IF WESTINGHOUSE DOES NOT BID SEVERAL OTHERS WILL.

3. NEPA DROPPING LETTERS OF CREDIT LARGE PROJECTS BECAUSE LAGOS BANKS CHARGE 2.5 PER CENT FOR THEM AND BECAUSE THEY DEEMED UN-NECESSARY TO ATTRACT BIDS UNDER PREVAILING MARKET CONDITIONS.

4. PROJECT HAS BEEN PLANNED, APPROVED BY FMG EXECUTIVE COUNCIL AND BUDGETTED FOR IN CURRENT DEVELOPMENT PLAN. ALTHOUGH PLAN MAY NOT ALWAYS SPECIFICALLY IDENTIFY PROJECTS THIS ONE IS PART OF NEPA DEVELOPMENT PROGRAM IN CURRENT PLAN. IT ALSO ESSENTIAL TO NEPA FUNCTIONING. NEPA FUNDS OPERATIONS AND CAPITAL PROJECTS FROM REVENUES AND FMG FUNDS ANY SHORTFALL. NEPA HAS NOT DEFAULTED AND THERE AMPLE FUNDS AND FOREIGN EXCHANGE FOR THIS PROJECT THUS THERE ARE NO GROUNDS FOR FEARING DEFAULT.

5. THIS AMOUNTS TO ASSURANCES BASED ON PAST PERFORMANCE AND REASONABLE PROJECTION FMG AND NEPA FINANCIAL SITUATIONS. IF NOT WHAT OPIC NEEDS, PLEASE SPECIFY (A) WHAT OPIC WOULD BE INSURING (B) AMOUNT OF DETAIL AND KIND OF GUARANTEES OPIC NEEDS OR WOULD LIKE TO HAVE.

6. ARBITRATION ACT BEING POUCHED.
COMMENT: IN WAKE OF MODIFICATION OF SOME CEMENT LETTERS OF CREDIT, FMG SENSITIVE ABOUT QUESTIONS AS TO ITS CREDIT RATING. FOR EXAMPLE, WHILE STILL ISSUING CENTRAL BANK LETTERS OF CREDIT FOR SOME PURCHASES IT REFUSES TO HAVE THEM CONFIRMED BY COMMERCIAL BANKS. THEREFORE IN SEARCHING FOR PAYMENT GUARANTEES OP EVENTUALLY WILL REACH TAKE-IT-OR-LEAVE-IT POINT WHERE FURTHER QUESTIONS COUNTERPRODUCTIVE.
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